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From: "Marit Sawyer" <msawyer@jbrenv.com>
To: "Susan White" <susanwhite@utah.gov>
Date: 5/28/08 3:05 PM
Subject: Geneva Bond - Pelican Point - UPDATED DETAIL

CC: <bethericksen@utah.gov>, "Lynn Kunzler" <lynnkunzler@utah.gov>, "Tony Ch...

Hello, I just sent you all a note explaining how Geneva's Pelican Point bond got mixed up and how to straighten the situation out. Here is the same letter with updated bond instrument detail (see fourth paragraph, sentences in *italics*, for changed language - everything else is the same). Sorry for the confusion.

MS

Hi, Susan,

I think I can explain why the bond liability evaluation in the existing NOI for Geneva's Pelican Point Quarry is different than the surety bond carried by Geneva for the same operation.

Geneva took over the quarry in May 2006. At that time Geneva still had to procure a bond so that the existing bond could be released to the previous owner. This process was ongoing throughout the second half of 2006. When Geneva took over the operation, the bond carried by the operation was \$301,778. Doug Jensen of DOGM requested that the bond be updated in a memo to Geneva dated December 21, 2006. This updating was needed to cover additional disturbance areas and buildings constructed by the previous owner without DOGM's approval.

Following the system in use at that time, Geneva updated the bond calculations using DOGM-approved costs. For example, the \$301,778 bond evaluation used \$0.24 per cubic foot for demolition of buildings. The \$497,412 bond evaluation used \$0.28 per cubic foot for building demolition (see enclosed documents for comparison).

Geneva's newer bond analysis came up with a liability of \$497,412.00. This analysis was sent to DOGM around January, 2007. Doug Jensen reviewed this bond analysis. Geneva procured a bond for \$497,400.00 (No. 104 741 614, issued February 2, 2007) and the DOGM released the previous operator's Letter of Credit on February 13, 2007, indicating that the bond was accepted by DOGM.

So now it's February and Geneva is operating under a sort of messy NOI that is not all in one location, nor does it describe all disturbance very accurately. In addition, Geneva tells DOGM it plans to expand the mine significantly. Geneva meets with Lynn Kunzler of DOGM, who is now overseeing this permit, to discuss quarry expansion. They agree that the existing NOI should be simply pulled together into one package, without much fanfare, so that at least there is a clear baseline from which to revise the NOI. Geneva hires JBR to pull the existing pieces together. Once that's done, Geneva will submit an entirely new NOI (a "throw away the old, no holds barred" kind of submittal), modernized and clean, to cover both existing and newly planned disturbance areas.

Geneva, JBR, and Lynn Kunzler meet in early July to discuss the amendment or "update" of the existing permit. It's decided that this document should just pull together the basics. DOGM will not demand a perfect document since this one will soon be superceded by a newly revised, high-standard NOI, to be submitted in Spring. But at least everything will be in one place and the bonded area will be shown on one map.

The updated/revised NOI is submitted October, 2007. However, there is an error that no one catches for 6 months: the bond analysis included in that submittal was the old one for \$301,778.00. This package is reviewed and verbally accepted by DOGM (there may be an email, but no formal approval letter that Tony or I can find) and Geneva continues mining rock and solidifying its plans to expand the quarry.

A letter dated April 16, 2008 from DOGM to Geneva states that the bond held by the company is \$497,400.00 while the approved NOI says the bond liability is only \$301,778.00. The letter requests that the discrepancy be explained. It takes a while to pull the pieces together, but hopefully you've seen it now: The bond Geneva carries is for \$497,400.00 as is supported by the analysis reviewed and approved (or he wouldn't have released the old bond) by Doug Jensen. The wrong bond evaluation was submitted with the "cleaned up" NOI update and was not caught when the NOI was submitted.

So please use the enclosed Amendment form (pdf) and Reclamation Estimate \$497412 (pdf) to guide you in replacing the old surety bond evaluation (\$301,987) with the newer one (\$497,400) accepted by Doug Jensen in early 2007. I am also mailing the signed Amendment form and a print out of the \$497,400 bond estimate to DOGM via regular mail.

Geneva still plans to submit in the very near future a revised NOI that is fully updated, cleaned up, and contains much more detail on the maps and the bond amount. Hopefully this email has clarified the old bonding

situation and will put to rest this bonding issue. Looking forward, Geneva would like to focus on submitting a NOI Revision that meets DOGM's current standards and allows clean development of the Pelican Point quarry area.

If you have further questions about this, please feel free to call me (943-4144) or Tony Christofferson (765-7800).

Sincerely,

Marit Sawyer

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